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Mexico

Sugar

Tax on the use of HFCS on Beverages was Eliminated

2007

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Report Highlights:

The Mexican Congress has eliminated the 20 percent tax on beverages containing high fructose corn syrup (HFCS) and sweeteners other than sugar, complying with the WTO Resolution that indicated that the special tax was illegal. The modification was published in Mexico's Diario Oficial (Federal Register) on December 27, 2006 and went into effect January 1, 2007.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

Introduction: This report summarizes an announcement from the Secretariat of Budget and Treasury eliminating the fructose tax, published in Mexico's "*Diario Oficial*" (Federal Register) on December 27, 2006.

Disclaimer: This summary is based on a *cursory* review of the subject announcement and therefore should not, under any circumstances, be viewed as a definitive reading of the regulation in question, or of its implications for U.S. agricultural export trade interests. In the event of a discrepancy or discrepancies between this summary and the complete regulation or announcement as published in Spanish, the latter shall prevail.

Title: Decree that amends, adds and derogates diverse dispositions from the Fiscal Code of the Federation; of the Law on Special Taxes on Production and Services, and other laws.

FAS/Mexico's Executive Summary: The Secretariat of Budget and Treasury announced in the *Diario Oficial* (Federal Register), on December 27, 2006 several amendments, additions and derogations to the Law on Special Taxes of Production and Services, including the revoking of the 20% tax on beverages that used sweeteners other than sugar. The announcement eliminated Article 2, I, G) and H), Article 3, XV, and Article 8, I, F), which imposed a 20 percent tax on the use of high fructose corn syrup (HFCS) in beverages of which soft drinks were the most affected.

Important Dates

- 1. Publication Date:** December 27, 2006.
- 2. Effective Date:** January 1, 2007.

Additional Information: On March 6, 2006, the WTO informed the Mexican government that it had rejected Mexico's appeal of the WTO's initial ruling that Mexico's 20 percent tax on beverages using sweeteners other than sugar, principally HFCS, was illegal. In response in May 2006, then President Fox sent an initiative to the Lower House of the Congress to eliminate the tax in order to comply with WTO rulings. However, it was not until the new Congress was in place in September 2007, that this issue began to be discussed as part of the bill outlining the 2007 Mexican budget. The initial 2007 budget proposal sent to Congress in December 2006 by the Calderon administration called for the removal of the 20 percent tax on drinks made with HFCS, complying with WTO rulings, and instead proposed a 5 percent tax on all soft drinks, regardless of the type of sweetener. The Senate rejected this proposal and all taxes on soda, including the 20 percent tax on HFCS, were eliminated in the final budget bill.

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Useful Mexican Web Sites: Mexico's equivalent of the Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx and Mexico's equivalent of the Department of Commerce (SE) can be found at www.economia.gob.mx. These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with the information contained on the mentioned sites.